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CLARE-GLADWIN REGIONAL
EDUCATION SERVICE DISTRICT
CLARE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2007

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditors' Report

August 2, 2007

To the Board of Education
Clare-Gladwin Regional
Education Service District
Clare, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clare-Gladwin Regional Education Service District as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clare-Gladwin Regional Education Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clare-Gladwin Regional Education Service District as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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To the Board of Education
Clare-Gladwin Regional Education Service District
August 2, 2007
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 2007 on our consideration of the School District's internal control over financial repor

ting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by the U.S. generally accepted accounting principals and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clare-Gladwin Regional Education Service District's basic financial statements. The combining and individual nonmajor fund financial statements, debt schedules, and schedule of expenditures of federal awards are presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements. Debt schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2007

Our discussion and analysis of the Clare-Gladwin Regional Education Service District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2007.

Financial Highlights

The School District's net assets decreased by approximately \$70,000 or less than 1%. Program revenues accounted for approximately \$5.5 million or 46% of total revenues, and general revenues accounted for approximately \$6.3 million or 54%.

The General Fund reported a positive fund balance of approximately \$2.0 million. The Special Education Fund reported a fund balance of approximately \$461,000.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Clare-Gladwin Regional Education Service District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund, Special Education Fund and 2003 Building Bond with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General and Special Education Funds (Required Supplemental Information)

Other Supplemental Information

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis

For the Year Ended June 30, 2007

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The School District is the trustee, or fiduciary, for its special activity fund. All of the School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2007

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2007:

	Governmental Activities	
	2007	2006
	(In Thousands)	(In Thousands)
<u>Exhibit A</u>		
Assets		
Current and other assets	\$ 4,698	\$ 5,080
Capital assets - net of accumulated depreciation	5,010	4,763
Total assets	9,708	9,843
Liabilities		
Current liabilities	1,698	1,761
Long-term liabilities	865	867
Total liabilities	2,563	2,628
Net Assets		
Invested in property and equipment	4,106	3,776
Restricted for food service	18	19
Restricted for debt service	648	720
Unrestricted	2,373	2,700
Total net assets	\$ 7,145	\$ 7,215

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Exhibit A focuses on net assets of the School District. The School District's net assets were approximately \$7.1 million at June 30, 2007. Capital assets, net of related debt, totaling \$4.2 million compares the original costs, less accumulated depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets, if any. The debt consists of general obligation and Durant bonds. The general obligation bonds will be repaid from future unrestricted resources while the Durant bonds will be repaid for specific future state source revenues. Restricted net assets are reported separately to show legal constraints for fund and program purposes that limit the School District's ability to use those net assets for day-to-day operations.

The \$2.4 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the year ended June 30, 2007 and 2006.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Exhibit B

	Governmental Activities	
	2007	2006
	(In Thousands)	(In Thousands)
Revenue		
Program revenue:		
Charges for services	\$ 949	\$ 1,135
Grants and categoricals	4,528	4,295
General revenue:		
Property taxes	3,495	3,319
State aid	1,749	1,698
Other	1,075	1,257
Total revenue	11,796	11,704
Function/Program Expenses		
Instruction	3,870	3,918
Support services	7,450	7,262
Community services	158	90
Food service	48	53
Interest on long-term debt	30	30
Depreciation (unallocated)	310	297
Total expenses	11,866	11,650
Increase (Decrease) in Net Assets	<u>\$ (70)</u>	<u>\$ 54</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was approximately \$11.9 million. Certain activities were partially funded from those who benefited from the programs (approximately \$.9 million) or by the other governments and organizations that subsidized certain programs with grants and categoricals (approximately \$4.5 million). We paid for the remaining "public benefit" portion of our governmental activities with approximately \$3.5 million in taxes, \$1.7 million in State revenues, and \$1.1 million in other revenues, such as interest and other local support.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2007

The School District experienced a decrease in net assets of approximately \$70,000. The key reason for the change in net assets was due to an overall balanced budget. The decrease in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of approximately \$3.1 million, which is less than last year's total of \$3.5 million. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2007 and 2006.

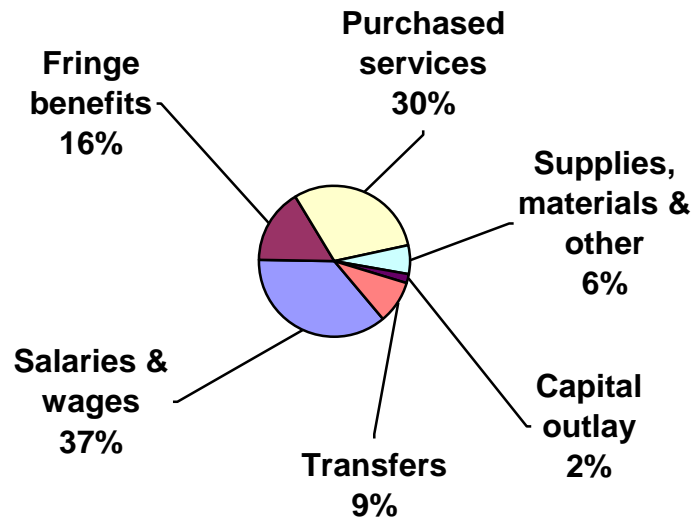
	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Fund Balance</u> <u>June 30, 2006</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,009,160	\$ 2,369,479	\$ (360,319)
Special Education	460,883	386,404	74,479
Special Revenue - Food Service	18,231	19,114	(883)
Debt Service	647,915	719,731	(71,816)
Capital Projects	0	28,835	(28,835)
Total	<u>\$ 3,136,189</u>	<u>\$ 3,523,563</u>	<u>\$ (387,374)</u>

- Our General Fund decreased by \$360,319, compared to a budgeted decrease of \$478,377. Revenues were \$87,349 below budget, primarily due to unused state and federal grant funding (to be carried over to fiscal 2007-2008). Expenditures included \$110,151 in capital outlays. Total expenditures were at 97% of budgeted amounts.
- Our Special Education Fund increased by \$74,479. The equity balance will fluctuate year to year since the Special Education Fund is designed to balance over time. Any excess equity is given back to the local districts and any equity shortage is made up from the local districts.
- The Special Revenue – Food Service Fund decreased by \$883 as the fund equity accumulated in prior years is spent in accordance with the primary purpose of the fund.
- The Debt Service Fund decreased by \$71,816 reflecting the payments for debt principal and interest.
- The Capital Projects Funds decreased by \$28,835 reflecting the transfers received from the Special Education Fund during the year less the amounts paid out to contractors for the new Area School roof.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2007

As the graph below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits.



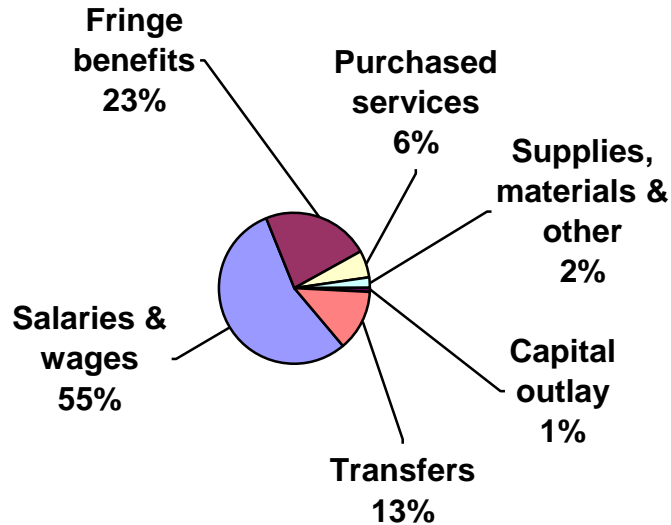
	2007	2006	Percentage Change
<i>Expenditures by Object</i>			
Salaries and wages	\$ 1,845,661	\$ 1,598,345	15%
Fringe benefits	804,156	633,041	27%
Purchased services	1,533,255	1,841,843	-17%
Supplies, materials, and other	317,113	281,289	13%
Capital outlay	110,151	94,458	17%
Transfers and other	470,295	526,058	-11%
Total	<u>\$ 5,080,631</u>	<u>\$ 4,975,034</u>	<u>2%</u>

Expenditures were up \$105,597 or 2% over the prior year primarily due to the addition of the Middle College grant and consolidation of technology services to local districts, which accounts for the increase in wages and benefits. Purchased services decreased due to the fact that in the prior year internet services were provided to the locals as a consortium and during the current year each district purchased internet services individually.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis For the Year Ended June 30, 2007

As the graph below illustrates, the largest portions of special education fund expenditures are for salaries and fringe benefits.



	2007	2006	Percentage Change
<i>Expenditures by Object</i>			
Salaries and wages	\$ 3,907,452	\$ 3,729,922	5%
Fringe benefits	1,590,106	1,498,873	6%
Purchased services	420,910	536,636	-22%
Supplies, materials, and other	133,147	179,433	-26%
Capital outlay	66,769	24,705	170%
Transfers and other	910,520	1,190,840	-24%
Total	<u>\$ 7,028,904</u>	<u>\$ 7,160,409</u>	<u>-2%</u>

Expenditures are down approximately \$132,000 or 2% below the prior year due primarily to decreases in a contracted supervisor, testing material purchases and transfers out to other school districts. Capital outlays included the replacement of the FM hearing system and improvements to the Area School heating system.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes between the original and final amended budgets were as follows:

General Fund

- Budgeted revenues were amended to reflect changes in grant spending levels and to revise state and local revenue projections. The changes reflect the denial of USF funding and changes in state and federal grant amounts.
- Budgeted expenditures were amended to reflect changes in operation and maintenance costs and grant program adjustments. The overall change reflects the addition of the Middle College and other grant expenditures.
- Final actual revenue and expenditure totals approximated final amended budget totals. There were no individually significant variances between the final budget and actual amounts.

Special Education

- Budgeted revenues were amended to reflect changes to grant revenue from federal programs and revisions to the state aid allocation. The overall change was immaterial.
- Budgeted expenditures were amended to reflect changes in spending levels under grants from federal programs. The overall change was immaterial.
- Final actual revenue and expenditure totals were 95% of final amended budget totals. Medicaid fee for service revenues and the related transfers out to the local districts were below budget. There were no other individually significant variances between the final budget and actual amounts.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Capital Assets

At June 30, 2007, the School District had approximately \$7.6 million invested in a broad range of capital assets, including buildings and improvements, furniture, fixtures, technology and other equipment. This amount represents a net increase (including additions and disposals) of approximately \$465,000 or 6%, from last year.

	<u>2007</u>	<u>2006</u>
Buildings and improvements	\$ 5,566,664	\$ 5,156,381
Furniture and fixtures	829,068	829,068
Technology and other equipment	<u>1,222,083</u>	<u>1,167,723</u>
Total capital assets	7,617,815	7,153,172
Less accumulated depreciation	<u>2,607,735</u>	<u>2,390,495</u>
Net capital assets	<u><u>\$ 5,010,080</u></u>	<u><u>\$ 4,762,677</u></u>

This year's additions of \$557,323 included building upgrades, office equipment and technology related costs. No new debt was issued for these additions. We present more detailed information about our capital assets in the notes to the financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Debt

At the end of this year, the School District had \$858,559 in bonds outstanding versus \$948,559 in the previous year. Those bonds consisted of the following:

	<u>2007</u>	<u>2006</u>
2003 Building Bonds	\$ 615,000	\$ 705,000
1998 Durant Bonds	<u>243,559</u>	<u>243,559</u>
	<u><u>\$ 858,559</u></u>	<u><u>\$ 948,559</u></u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating.

Factors Expected to have an Effect on Future Operations

During the past two fiscal years, the School District has used the General Fund's equity to avoid Special Education billbacks to the local districts it serves. In addition, this past year saw the defeat of a Special Education headlee override millage request that would have greatly aided the School District's ability to provide quality services and avoid future billbacks to the local districts. Beyond fiscal year 2007-2008, without an increase in funding levels from all sources, billbacks to the local districts will be inevitable.

On the positive side, the past year brought about the collaboration of RESD and several local districts' technology resources, greatly strengthening and enhancing technology capabilities for all.

The School District is preparing for the challenges that are presented by the current fiscal climate in the State by continuing to pursue collaborations that increase efficiency and make sense fiscally with other local governmental entities.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Management's Discussion & Analysis

For the Year Ended June 30, 2007

Request For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of the Superintendent
Clare-Gladwin Regional Education Service District
4041 East Mannsiding Road
Clare, MI 48617

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 3,269,156
Receivables:	
Property taxes	30,399
Accounts receivable	4,480
Due from other governmental units	1,387,679
Inventory	1,345
Deposits	5,120
Capital assets less accumulated depreciation of \$2,607,735	<u>5,010,080</u>
Total assets	<u>9,708,259</u>
<u>Liabilities</u>	
Accounts payable	572,315
Accrued payroll and other liabilities	620,042
Accrued interest payable	45,614
Deferred revenue	134,314
Due to other governmental units	235,319
Long-term liabilities:	
Due within one year	90,000
Due in more than one year	<u>865,559</u>
Total liabilities	<u>2,563,163</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	4,105,907
Reserved for food service	18,231
Restricted for debt service	647,915
Unrestricted	<u>2,373,043</u>
Total net assets	<u><u>\$ 7,145,096</u></u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Statement of Activities For the Year Ended June 30, 2007

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/ Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
Primary government -				
Governmental activities:				
Instruction	\$ 3,870,219	\$ 390,204	\$ 2,956,345	\$ (523,670)
Support services	7,449,158	544,911	1,377,419	(5,526,828)
Community services	158,023	0	161,357	3,334
Food services	48,109	13,584	32,741	(1,784)
Interest on long-term debt	30,264	0	0	(30,264)
Depreciation (unallocated)	309,920	0	0	(309,920)
Total governmental activities	<u>\$ 11,865,693</u>	<u>\$ 948,699</u>	<u>\$ 4,527,862</u>	<u>(6,389,132)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				3,494,878
State aid not restricted to specific purposes				1,749,089
Interest and investment earnings				132,922
Other				942,003
Total general revenues				<u>6,318,892</u>
Change in net assets				(70,240)
Net assets - beginning of year				<u>7,215,336</u>
Net assets - end of year				<u>\$ 7,145,096</u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Governmental Funds
Balance Sheet
June 30, 2007

	General	Special Education	2003 Building Bond	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>					
Cash and investments	\$ 2,022,743	\$ 581,843	\$ 647,915	\$ 16,655	\$ 3,269,156
Taxes receivable	6,080	24,319	0	0	30,399
Accounts receivable	3,848	0	0	632	4,480
Due from other governmental units	628,806	758,013	0	860	1,387,679
Deposits	5,120	0	0	0	5,120
Inventory	0	0	0	1,345	1,345
Total assets	<u>\$ 2,666,597</u>	<u>\$ 1,364,175</u>	<u>\$ 647,915</u>	<u>\$ 19,492</u>	<u>\$ 4,698,179</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 455,860	\$ 115,243	\$ 0	\$ 1,212	\$ 572,315
Accrued payroll and other liabilities	68,448	551,594	0	0	620,042
Deferred revenue	133,129	1,136	0	49	134,314
Due to other governmental units	0	235,319	0	0	235,319
Total liabilities	<u>657,437</u>	<u>903,292</u>	<u>0</u>	<u>1,261</u>	<u>1,561,990</u>
<u>Fund Balance</u>					
Reserved for inventory	0	0	0	1,345	1,345
Reserved for food service	0	0	0	16,886	16,886
Reserved for debt service	0	0	647,915	0	647,915
Unreserved:					
Designated for future expenditures	57,055	0	0	0	57,055
Undesignated	1,952,105	460,883	0	0	2,412,988
Total fund balance	<u>2,009,160</u>	<u>460,883</u>	<u>647,915</u>	<u>18,231</u>	<u>3,136,189</u>
Total Liabilities and Fund Balance	<u>\$ 2,666,597</u>	<u>\$ 1,364,175</u>	<u>\$ 647,915</u>	<u>\$ 19,492</u>	<u>\$ 4,698,179</u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

Total fund balances - governmental funds	\$ 3,136,189
Amounts reported for governmental activities in the statements of activities are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	7,617,815
Accumulated depreciation	(2,607,735)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(858,559)
Compensated absences	(97,000)
Accrued interest payable on long-term debt is not included as a liability in governmental activities	<u>(45,614)</u>
Total net assets - governmental activities	<u><u>\$ 7,145,096</u></u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	General	Special Education	2003 Building Bond	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>					
Local sources:					
Property taxes	\$ 698,976	\$ 2,795,902	\$ 0	\$ 0	\$ 3,494,878
Other	127,763	835,605	41,179	14,485	1,019,032
State sources	1,137,743	1,102,556	0	4,090	2,244,389
Federal sources	1,734,297	2,339,320	0	28,651	4,102,268
Total revenues	<u>3,698,779</u>	<u>7,073,383</u>	<u>41,179</u>	<u>47,226</u>	<u>10,860,567</u>
<u>Expenditures</u>					
Current:					
Instruction	1,465,121	1,722,405	0	0	3,187,526
Support services	3,139,968	4,297,190	0	0	7,437,158
Community services	116,449	41,574	0	0	158,023
Food service	0	0	0	48,109	48,109
Capital outlay	110,151	66,769	0	380,403	557,323
Debt service:					
Principal	0	0	90,000	0	90,000
Interest	0	0	22,995	0	22,995
Total expenditures	<u>4,831,689</u>	<u>6,127,938</u>	<u>112,995</u>	<u>428,512</u>	<u>11,501,134</u>
Excess (deficiency) of revenues over expenditures	<u>(1,132,910)</u>	<u>945,445</u>	<u>(71,816)</u>	<u>(381,286)</u>	<u>(640,567)</u>
<u>Other Financing Sources (Uses)</u>					
Operating transfers in from other funds	116,647	0	0	351,568	468,215
Payments from other governmental units	904,886	30,000	0	0	934,886
Operating transfers out to other funds	0	(468,215)	0	0	(468,215)
Payments to other governmental units	(248,942)	(432,751)	0	0	(681,693)
Total other financing sources (uses)	<u>772,591</u>	<u>(870,966)</u>	<u>0</u>	<u>351,568</u>	<u>253,193</u>
Net change in fund balance	<u>(360,319)</u>	<u>74,479</u>	<u>(71,816)</u>	<u>(29,718)</u>	<u>(387,374)</u>
Fund balance - beginning of year	<u>2,369,479</u>	<u>386,404</u>	<u>719,731</u>	<u>47,949</u>	<u>3,523,563</u>
Fund balance - end of year	<u>\$ 2,009,160</u>	<u>\$ 460,883</u>	<u>\$ 647,915</u>	<u>\$ 18,231</u>	<u>\$ 3,136,189</u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balance - total governmental funds	\$ (387,374)
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(309,920)
Capital outlay	557,323
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(7,269)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	90,000
Increases in compensated absences are reported as an increase to expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6.	<u>(13,000)</u>
Change in net assets of governmental activities	<u><u>\$ (70,240)</u></u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Statement of Fiduciary Net Assets
June 30, 2007

		Special Activity Fund
	<u>ASSETS</u>	
Cash and investments		\$ 39,918
		<u><u>39,918</u></u>
	<u>LIABILITIES</u>	
Due to groups and organizations		\$ 39,918
		<u><u>39,918</u></u>

See accompanying notes to financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clare-Gladwin Regional Education Service District is an intermediate school district encompassing the constituent local school districts of Beaverton, Clare, Farwell, Gladwin and Harrison, which are located in Clare and Gladwin Counties.

The accounting policies of Clare-Gladwin Regional Education Service District (the "School District") conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental and other nonprofit organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

Clare-Gladwin Regional Education Service District receives funding from local, state, and federal government sources and must comply with any related regulations and requirements of these funding source entities. The Intermediate School District is not, however, included in any other governmental "reporting entity" since the School Board, consisting of five members, is elected and has decision-making authority, power to designate management, ability to significantly influence operations, and primary accountability in fiscal matters.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statement.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements are reported using the economic resources measurement focus and accrual basis of accounting

The School District reports the following major governmental funds:

General Fund – The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Special Education Fund – The Special Education Fund is used to record all transactions associated with special education programs administered by the School District.

2003 Building Bonds – The 2003 Building Bond is used to pay part of the cost of the administrative building renovations.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”.

Inventory – Inventories consist of food products and are valued at cost, on a first-in, first-out basis

Capital Assets – Capital assets, which include buildings and improvements, furniture, fixtures and various equipment, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings and improvements, furniture, fixtures and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvement	10-50 years
Furniture and fixtures	7-20 years
Technology and other equipment	5-15 years

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes – For Clare-Gladwin Regional Education Service District taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 and/or December 31 of the following year. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid – The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Clare-Gladwin Regional Education Service District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 2 – BUDGETS (CONTINUED)

During the year ended June 30, 2007, the School District incurred the following unfavorable budget variances:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General Fund:			
Revenues:			
State sources	\$ 1,192,038	\$ 1,137,743	\$ 54,295
Federal sources	1,767,957	1,734,297	33,660
Expenditures:			
Added needs	628,323	639,016	10,693
Transportation	164,301	167,263	2,962
Other Financing Sources:			
Operating transfers in from other funds	118,678	116,647	2,031
Special Education Fund:			
Revenues:			
Local sources	3,725,790	3,631,507	94,283
Federal sources	2,401,625	2,339,320	62,305
Expenditures:			
Capital outlay	66,724	66,769	45
Other Financing Uses:			
Payments from other governmental units	39,027	30,000	9,027

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General and Special Education Funds are presented as Required Supplemental Information.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	<u>\$ 3,269,156</u>	<u>\$ 39,918</u>	<u>\$ 3,309,074</u>

The breakdown between deposits and investments is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 551,675
Investments in interlocal agreement investment pools (i.e. MILAF) with a weighted average maturity of 60 days or less	2,756,828
Petty cash and cash on hand	<u>571</u>
Total	<u>\$ 3,309,074</u>

Custodial Credit Risk- Deposits

In the case of deposits, there is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2007, \$628,717 of the School District's bank balance of \$768,810 was exposed to custodial credit risk because it was uninsured and exceeded the available federal depository insurance limits.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk - Investments

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the School District's investment in the investment pool was rated AAA by Standard & Poor's.

The School District's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

NOTE 4 – CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
<u>Capital assets being depreciated:</u>				
Buildings and improvements	\$ 5,156,381	\$ 410,283	\$ 0	\$ 5,566,664
Furniture and fixtures	829,068	0	0	829,068
Technology and other equipment	1,167,723	147,040	(92,680)	1,222,083
Subtotal	7,153,172	\$ 557,323	\$ (92,680)	7,617,815
<u>Accumulated depreciation:</u>				
Buildings and improvements	1,126,905	\$ 109,391	\$ 0	1,236,296
Furniture and fixtures	526,657	54,581	0	581,238
Technology and other equipment	736,933	145,948	(92,680)	790,201
Subtotal	2,390,495	\$ 309,920	\$ (92,680)	2,607,735
Net capital assets	\$ 4,762,677			\$ 5,010,080

Depreciation for fiscal year ended June 30, 2007 amounted to \$309,920. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 5 – INTERFUND RECEIVABLE AND PAYABLES AND TRANSFERS

Interfund transfers were made between funds primarily for such things as indirect cost charges related to grants as well as other fees and charges between funds. A summary of interfund receivable and payable balances and transfers made during the year ended June 30, 2007 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 0	\$ 116,647	\$ 0
Special Education Fund	0	0	0	468,215
Capital Projects Fund	0	0	351,568	0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 468,215</u>	<u>\$ 468,215</u>

NOTE 6 – RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. A summary of the intergovernmental receivables (due from other governmental units) follows:

State Aid	\$ 266,812
Federal Grants	860,274
Other Grants, Programs and Fees	<u>260,593</u>
	<u>\$ 1,387,679</u>

NOTE 7 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current year, program revenue payments received prior to meeting all eligibility requirements amounted to \$134,314.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 8 – LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements and Payments	Balance June 30, 2007	Amount Due Within One Year
Bonds	\$ 948,559	\$ 0	\$ 90,000	\$ 858,559	\$ 90,000
Compensated absences	84,000	13,000	0	97,000	0
Total	<u>\$ 1,032,559</u>	<u>\$ 13,000</u>	<u>\$ 90,000</u>	<u>\$ 955,559</u>	<u>\$ 90,000</u>

Bonds payable at June 30, 2007 is comprised of the following issues:

2003 Building Bonds. Face amount of \$950,000, due in annual installments of \$80,000 to \$115,000 through May 1, 2013, interest at 1.75% to 3.8%	\$ 615,000
1998 Durant Bonds. Face amount of \$412,488, due in annual installments of \$18,188 to \$144,969 through May 15, 2013, interest at 4.76%	<u>243,559</u>
	<u>\$ 858,559</u>

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described above.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Under the terms of the present contracts between the Board of Education of Clare-Gladwin Regional Education Service District and the various employee associations, the School District is contingently liable for unused sick and vacation days. In accordance with the various contracts involved, employees are allowed to accumulate unused sick days as determined by the representative contracts involved. Terminating/retiring employees who meet certain age and years of service requirements are paid for accumulated sick days based on their current regular pay, up to maximum dollar amounts. Vacation days may only be used for vacation purposes. Administrative personnel may carry over limited amounts of unused vacation days. Unused vacation pay is calculated based on the number of unused days allowed times the current regular rate of pay. At June 30, 2007, the estimated liability, including employer taxes for those benefits, in the amount of \$97,000 has been reflected in the district-wide financial statements.

The annual requirements to amortize the various bonds payable outstanding as of June 30, 2007, including interest payments, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 90,000	\$ 20,720	\$ 110,720
2009	117,956	24,301	142,257
2010	124,048	20,643	144,691
2011	130,194	15,998	146,192
2012	136,392	11,123	147,515
2013	259,969	54,019	313,988
	<u>\$ 858,559</u>	<u>\$ 146,804</u>	<u>\$ 1,005,363</u>

NOTE 9 – RESERVED AND DESIGNATED FUND BALANCE

Reservations of fund balance are established to identify (1) third-party claims against resources of the School District that have not materialized as liabilities at the balance sheet date; or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure; or (3) the existence of assets that are legally restricted to a future use. Designations of fund balance are established by the Board of Education for specific purposes.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 10 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 11 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.34% for the period from July 1, 2006 through September 30, 2006 and 17.74% from October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3% to 4.3% of gross wages. The School District's contributions to the MPERS plan for the years ended June 30, 2007, 2006, and 2005 were \$997,365, \$859,651, and \$750,097, respectively.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Postemployment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

NOTE 12 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

Other Supplemental Information

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 861,075	\$ 826,133	\$ 826,739
State sources	875,418	1,192,038	1,137,743
Federal sources	1,811,874	1,767,957	1,734,297
 Total revenues	 3,548,367	 3,786,128	 3,698,779
<u>Expenditures</u>			
Instruction:			
Basic programs	789,180	837,864	826,105
Added needs	537,577	628,323	639,016
Support services:			
Pupil	56,807	20,753	20,278
Instructional staff	959,250	1,260,673	1,184,251
General administration	51,267	58,475	54,315
School administration	665,335	641,868	619,608
Operations and maintenance	271,694	251,195	237,898
Transportation	180,645	164,301	167,263
Information services	586,633	551,011	535,648
Other supporting services	172,021	337,379	320,707
Community services	194,310	165,075	116,449
Capital outlay	52,000	117,152	110,151
 Total expenditures	 4,516,719	 5,034,069	 4,831,689
 Excess (deficiency) of revenues over expenditures	 (968,352)	 (1,247,941)	 (1,132,910)
<u>Other Financing Sources (Uses)</u>			
Operating transfers in from other funds	111,518	118,678	116,647
Payments from other governmental units	893,104	899,828	904,886
Operating transfers out to other funds	0	0	0
Payments to other governmental units	(392,623)	(248,942)	(248,942)
Total other financing sources (uses)	611,999	769,564	772,591
 Net change in fund balance	 (356,353)	 (478,377)	 (360,319)
 Fund balance - beginning of year	 2,369,479	 2,369,479	 2,369,479
 Fund balance - end of year	 \$ 2,013,126	 \$ 1,891,102	 \$ 2,009,160

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule - Special Education Fund
For the Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 3,477,783	\$ 3,725,790	\$ 3,631,507
State sources	1,115,748	1,102,556	1,102,556
Federal sources	2,339,793	2,401,625	2,339,320
Total revenues	6,933,324	7,229,971	7,073,383
<u>Expenditures</u>			
Instruction:			
Added needs	1,763,583	1,805,701	1,722,405
Support services:			
Pupil	3,656,047	3,710,647	3,637,034
Instructional staff	295,483	298,580	257,649
General administration	13,870	14,300	5,095
School administration	193,188	202,277	178,253
Operations and maintenance	109,165	102,990	102,220
Transportation	6,200	6,856	6,120
Information services	39,414	38,522	37,276
Other supporting services	97,040	97,410	73,543
Community services	53,388	58,490	41,574
Capital outlay	22,560	66,724	66,769
Total expenditures	6,249,938	6,402,497	6,127,938
Excess (deficiency) of revenues over expenditures	683,386	827,474	945,445
<u>Other Financing Sources (Uses)</u>			
Operating transfers in from other funds	0	0	0
Payments from other governmental units	37,000	39,027	30,000
Operating transfers out to other funds	(433,568)	(473,924)	(468,215)
Payments to other governmental units	(387,037)	(496,315)	(432,751)
Total other financing sources (uses)	(783,605)	(931,212)	(870,966)
Net change in fund balance	(100,219)	(103,738)	74,479
Fund balance - beginning of year	386,404	386,404	386,404
Fund balance - end of year	\$ 286,185	\$ 282,666	\$ 460,883

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
	Food Service	Durant Bond Issue		
<u>ASSETS</u>				
Cash and investments	\$ 16,655	\$ 0	\$ 0	\$ 16,655
Accounts receivable	632	0	0	632
Due from other governmental units	860	0	0	860
Inventory	1,345	0	0	1,345
Total assets	<u>\$ 19,492</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,492</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 1,212	\$ 0	\$ 0	\$ 1,212
Deferred revenue	49	0	0	49
	<u>1,261</u>	<u>0</u>	<u>0</u>	<u>1,261</u>
<u>Fund Balance</u>				
Reserved for inventory	1,345	0	0	1,345
Reserved for food service fund	16,886	0	0	16,886
Total fund balance	<u>18,231</u>	<u>0</u>	<u>0</u>	<u>18,231</u>
Total Liabilites and Fund Balance	<u>\$ 19,492</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,492</u>

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Fund	Debt Service Funds	Capital Projects Fund	Totals
	Food Service	Durant Bond Issue		
<u>Revenues</u>				
Local sources	\$ 14,485	\$ 0	\$ 0	\$ 14,485
State sources	4,090	0	0	4,090
Federal sources	28,651	0	0	28,651
	<u>47,226</u>	<u>0</u>	<u>0</u>	<u>47,226</u>
Total revenues				
	<u>47,226</u>	<u>0</u>	<u>0</u>	<u>47,226</u>
<u>Expenditures</u>				
Food service	48,109	0	0	48,109
Capital outlay	0	0	380,403	380,403
Debt service:				
Principal	0	0	0	0
Interest and fees	0	0	0	0
	<u>48,109</u>	<u>0</u>	<u>380,403</u>	<u>428,512</u>
Total expenditures				
	<u>48,109</u>	<u>0</u>	<u>380,403</u>	<u>428,512</u>
Excess (deficiency) of revenues over expenditures	<u>(883)</u>	<u>0</u>	<u>(380,403)</u>	<u>(381,286)</u>
<u>Other Financing Sources</u>				
Operating transfers in from other funds	0	0	351,568	351,568
Total other financing sources	<u>0</u>	<u>0</u>	<u>351,568</u>	<u>351,568</u>
Net change in fund balance	(883)	0	(28,835)	(29,718)
Fund balance - beginning of year	<u>19,114</u>	<u>0</u>	<u>28,835</u>	<u>47,949</u>
Fund balance - end of year	<u>\$ 18,231</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,231</u>

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Detail Of Bonded Debt
2003 Administration Building Renovation Bonds
For the Year Ended June 30, 2007

PURPOSE

The School District issued the 2003 General Obligation Building Bonds on September 3, 2003, in the amount of \$950,000. The principal and interest on this bond issue is financed primarily from the general assets of the School District. The bonds, dated September 1, 2003, which bear interest at 1.75% to 3.80% are due serially through 2013. The bond proceeds were used for the purpose of paying part of the cost of the administrative building renovations.

DATE OF ISSUE

September 1, 2003

AMOUNT OF ISSUE

\$ 950,000

AMOUNT REDEEMED

During prior years	\$ 245,000	
During current year	90,000	335,000

BALANCE OUTSTANDING - JUNE 30, 2007

\$ 615,000

<u>Fiscal Year</u>	<u>Interest Rates</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	2.70%	\$ 90,000	\$ 20,720	\$ 110,720
2009	2.70%	95,000	18,290	113,290
2010	3.50%	100,000	15,725	115,725
2011	3.50%	105,000	12,225	117,225
2012	3.80%	110,000	8,550	118,550
2013	3.80%	115,000	4,370	119,370
		\$ 615,000	\$ 79,880	\$ 694,880

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT

Detail Of Bonded Debt 1998 School Improvement Bonds For the Year Ended June 30, 2007

PURPOSE

The State of Michigan issued the 1998 School Improvement Bond Issue on November 24, 1998, in the amount of \$412,488. The principal and interest on this bond issue is to be repaid by future state aid resulting from the Durant settlement. The bonds bear an interest rate of 4.76% and are due serially through 2013. The bond proceeds were used for the purpose of paying for certain capital expenditures for improvements in and for the District in accordance with Section 1351a of Act 451 of the Public Acts of 1976, as amended, being MCLA 380.1351a.

DATE OF ISSUE

November 24, 1998

AMOUNT OF ISSUE

\$ 412,488

AMOUNT REDEEMED

During prior years

\$ 168,929

During current year

0

168,929

BALANCE OUTSTANDING - JUNE 30, 2007

\$ 243,559

<u>Fiscal Year</u>	<u>Interest Rates</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	4.76%	\$ 0	\$ 0	\$ 0
2009	4.76%	22,956	6,011	28,967
2010	4.76%	24,048	4,918	28,966
2011	4.76%	25,194	3,773	28,967
2012	4.76%	26,392	2,573	28,965
2013	4.76%	144,969	49,649	194,618
		<u>\$ 243,559</u>	<u>\$ 66,924</u>	<u>\$ 310,483</u>



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August 2, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Clare-Gladwin Regional
Education Service District
Clare, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clare-Gladwin Regional Education Service District as of and for the year ended June 30, 2007, and have issued our report thereon dated August 2, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clare-Gladwin Regional Education Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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Board of Education
Clare-Gladwin Regional Education Service District
August 2, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clare-Gladwin Regional Education Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh



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August 2, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Clare-Gladwin Regional Education Service District
Clare, Michigan

Compliance

We have audited the compliance of Clare-Gladwin Regional Education Service District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Clare-Gladwin Regional Education Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questionable costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clare-Gladwin Regional Education Service District's management. Our responsibility is to express an opinion on Clare-Gladwin Regional Education Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clare-Gladwin Regional Education Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Clare-Gladwin Regional Education Service District's compliance with those requirements.

In our opinion, Clare-Gladwin Regional Education Service District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the ended June 30, 2007.

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Board of Education
Clare-Gladwin Regional Education Service District
August 2, 2007

Internal Control Over Compliance

The management of Clare-Gladwin Regional Education Service District is responsible for establishing and maintaining effective internal control over compliance with the requirement of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clare-Gladwin Regional Education Service District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was not for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiencies identified not considered to be material weaknesses? ☐ YES ☒ NO

Noncompliance material to financial statements noted? ☐ YES ☒ NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ☐ YES ☒ NO
- Significant deficiencies identified not considered to be material weaknesses? ☐ YES ☒ NO

Type of auditor's report issued on compliance of major programs: Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? ☐ YES ☒ NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 (Cluster)	Handicapped Preschool & School Program
84.173 (Cluster)	Preschool Grant
84.287	21 st Century Community Learning Center
84.243	Technology Prep

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ YES ☐ NO

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

SECTION II - Financial Statement Findings

There are no matters reported.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2006</u>	Adjustments and <u>Transfers</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2007</u>
<u>CLUSTERS:</u>								
Child Nutrition Cluster:								
U.S. Department of Agriculture								
Passed through MDE								
National School Lunch Breakfast								
1978 Breakfast	10.553	\$ 9,856	\$ 0	\$ 0	\$ 0	\$ 9,501	\$ 9,856	\$ 355
National School Lunch Program								
1958 Section 4 All Lunches	10.555	2,343	0	0	0	2,274	2,343	69
1968 Section 11 Free and Reduced		15,645	0	0	0	15,209	15,645	436
Total		17,988	0	0	0	17,483	17,988	505
Total Child Nutrition Cluster		27,844	0	0	0	26,984	27,844	860
IDEA Cluster Programs:								
U.S. Department of Education								
Handicapped Preschool & School Program	84.027							
PL 94-142 Flowthrough:								
Project 070450-0607		1,914,905	0	0	0	1,442,238	1,801,539	359,301
Project 060450-0506		1,909,201	1,768,509	159,011	0	290,269	140,692	9,434
Project 050450-0405		1,871,745	1,871,745	41,032	0	41,032	0	0
Total		5,695,851	3,640,254	200,043	0	1,773,539	1,942,231	368,735
State Initiated / Competitive:								
Project 060480-EOSD		50,000	50,000	4,813	0	4,813	0	0
Project 070480-EOSD		50,000	0	0	0	47,487	50,000	2,513
Total		100,000	50,000	4,813	0	52,300	50,000	2,513

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2006</u>	Adjustments and <u>Transfers</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2007</u>
State Initiated / Department:								
Project 060490-TS		\$ 70,000	\$ 70,000	\$ 7,986	\$ 0	\$ 7,986	\$ 0	\$ 0
Project 070490-TS		70,000	0	0	0	58,348	70,000	11,652
Total		140,000	70,000	7,986	0	66,334	70,000	11,652
Subtotal CFDA #84.027		5,935,851	3,760,254	212,842	0	1,892,173	2,062,231	382,900
Preschool Grant	84.173							
P.L. 94-142 Preschool Incentive:								
Project 060460-0506		67,453	58,425	4,205	0	10,782	9,028	2,451
Project 070460-0607		66,203	0	0	0	53,926	66,203	12,277
Subtotal CFDA #84.173		133,656	58,425	4,205	0	64,708	75,231	14,728
Total For IDEA Cluster Programs		6,069,507	3,818,679	217,047	0	1,956,881	2,137,462	397,628
<u>OTHER FEDERAL AWARDS:</u>								
U.S. Department of Education:								
Passed through Michigan Department of Education:								
Vocational Education - Basic Grants to States	84.048							
Vocational Education Regional Allocation:								
Project 063520-6012-6		419,162	419,162	169,669	0	169,669	0	0
Project 073520-7012-6		399,907	0	0	0	216,561	399,907	183,346
Total		819,069	419,162	169,669	0	386,230	399,907	183,346

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor Pass Through Grantor Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>(Memo Only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue July 1, 2006</u>	<u>Adjustments and Transfers</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2007</u>
Infants and Toddlers	84.181							
Infants and Toddler Formula Grant:								
Project 061340-190		\$ 90,860	\$ 43,528	\$ 6,343	\$ 0	\$ 49,035	\$ 47,332	\$ 4,640
Project 071340-190		92,266	0	0	0	49,368	52,786	3,418
Project 051340-190		97,406	97,406	3,184	0	3,184	0	0
Total		280,532	140,934	9,527	0	101,587	100,118	8,058
21st Century Community Learning Center	84.287							
21st Century Community Learning Center:								
Project 052110-21ST02007		481,209	481,209	107,877	0	107,877	0	0
Project 052110-21ST02008A		343,432	343,432	50,830	0	50,830	0	0
Project 062110-21ST03-003		340,000	340,000	73,376	0	73,376	0	0
Project 072110-21ST03-003		340,000	0	0	0	271,572	340,000	68,428
Project 062110-21ST02-008		343,432	0	0	0	284,739	343,432	58,693
Project 062110-21ST03-007		481,209	0	0	0	386,723	481,209	94,486
Total		2,329,282	1,164,641	232,083	0	1,175,117	1,164,641	221,607
Title V - Innov Educ Program Strategies	84.298							
Title V - Innov Education Program Strategies:								
Project 060250-0506		8,597	2,160	29	0	6,466	6,437	0
Project 050250-0506		1,490	1,490	184	0	184	0	0
Project 070250-0607		4,247	0	0	0	4,247	4,247	0
Total		14,334	3,650	213	0	10,897	10,684	0
Improving Teacher Quality	84.367							
Title II Part A Tech Trn								
Project 07520-0607		366	0	0	0	366	366	0
Total non cluster programs passed through MDE		3,443,583	1,728,387	411,492	0	1,674,197	1,675,716	413,011

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor</u> <u>Pass Through Grantor</u> <u>Program Title Grant Number</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Approved</u> <u>Grant Award</u> <u>Amount</u>	<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>July 1, 2006</u>	<u>Adjustments</u> <u>and</u> <u>Transfers</u>	<u>Current Year</u> <u>Receipts</u> <u>(Cash Basis)</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Accrued</u> <u>(Deferred)</u> <u>Revenue</u> <u>June 30, 2007</u>
Passed Through Other ISD's								
Passed through COOR ISD:								
Technology Prep	84.243							
2005-2006 Project 6014-06		\$ 28,685	\$ 28,685	\$ 25,418	\$ 0	\$ 25,418	\$ 0	\$ 0
2006-2007		28,507	0	0	0	15,285	28,507	13,222
		<u>57,192</u>	<u>28,685</u>	<u>25,418</u>	<u>0</u>	<u>40,703</u>	<u>28,507</u>	<u>13,222</u>
Passed through Saginaw ISD:								
Reading First Statewide Prof Dev	84.357							
2005-2006 Contract #071B3001238		12,065	12,065	12,065	0	12,065	0	0
2006-2007 Contract #071B3001238		11,814	0	0	0	0	11,814	11,814
		<u>23,879</u>	<u>12,065</u>	<u>12,065</u>	<u>0</u>	<u>12,065</u>	<u>11,814</u>	<u>11,814</u>
Passed through MAISD:								
Personnel Development Collaborative	84.323A							
Project #070620-03001		21,275				1,709	15,299	13,590
		<u>102,346</u>	<u>40,750</u>	<u>37,483</u>	<u>0</u>	<u>54,477</u>	<u>55,620</u>	<u>38,626</u>
Total Passed through Other ISD's								
Direct:								
Emergency Response Plans for School	84.184							
Safety Initiative Grant:								
Project #Q184E050313		246,844	49,043	5,887	0	101,836	103,079	7,130
Rural Education Achievement Program	84.358							
Small, Rural School Achievement Grant:								
Project S358A052286, 2006-2007		17,217				14,198	17,217	3,019
Project S358A052286, 2005-2006		13,375	13,375	983	0	983	0	0
		<u>30,592</u>	<u>13,375</u>	<u>983</u>	<u>0</u>	<u>15,181</u>	<u>17,217</u>	<u>3,019</u>
Total Direct		<u>277,436</u>	<u>62,418</u>	<u>6,870</u>	<u>0</u>	<u>117,017</u>	<u>120,296</u>	<u>10,149</u>
Total US Dept of Ed non cluster programs		<u>3,823,365</u>	<u>1,831,555</u>	<u>455,845</u>	<u>0</u>	<u>1,845,691</u>	<u>1,851,632</u>	<u>461,786</u>

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>July 1, 2006</u>	Adjustments and <u>Transfers</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>June 30, 2007</u>
U.S. Department of Agriculture Passed through MDE: Food Distribution	10.550							
Entitlement Commodities		\$ 678	\$ 0	\$ 0	\$ 0	\$ 678	\$ 678	\$ 0
Bonus Commodities		129	0	0	0	129	129	0
Total USDA Non-cluster Programs		807	0	0	0	807	807	0
U.S. Department of Health and Human Services Passed through Michigan Community Health: Medicaid Assistance Program Title XIX	93.778							
Pupil Transportation Costs for School Based Services		15,237	0	0	0	15,237	15,237	0
Medicaid Administrative Outreach		69,286	0	0	0	69,286	69,286	0
Total USDHHS Non-Cluster Programs		84,523	0	0	0	84,523	84,523	0
Total Federal Financial Assistance		<u>\$ 10,006,046</u>	<u>\$ 5,650,234</u>	<u>\$ 672,892</u>	<u>\$ 0</u>	<u>\$ 3,914,886</u>	<u>\$ 4,102,268</u>	<u>\$ 860,274</u>

See accompanying notes to financial statements

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
Provided to Subrecipients
For the Year Ended June 30, 2007

Program Title <u>Subrecipient Name</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued or (Deferred) Revenue at <u>July 1, 2006</u>	Adjustments <u>and Transfers</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued or (Deferred) Revenue at <u>June 30, 2007</u>
State Initiated / Department:	84.027							
Project 070490-TS								
Gladwin Community Schools		\$ 140	\$ 0	\$ 0	\$ 0	\$ 140	\$ 140	\$ 0
Farwell Area Schools		88	0	0	0	88	88	0
Clare Public Schools		88	0	0	0	88	88	0
Harrison Community Schools		174	0	0	0	174	174	0
		<u>490</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>490</u>	<u>490</u>	<u>0</u>
		<u>490</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>490</u>	<u>490</u>	<u>0</u>
Vocational Education Regional Allocation:	84.048							
Vocational Education Regional Allocation:								
Project 063520-6012-6								
COOR ISD		167,665	167,665	86,386	0	86,386	0	0
Project 053520-501206								
COOR ISD		159,963	0	0	0	94,922	159,963	65,041
IOSCO ISD		87,979	0	0	0	87,979	87,979	0
		<u>247,942</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>182,901</u>	<u>247,942</u>	<u>65,041</u>

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Schedule of Expenditures of Federal Awards
Provided to Subrecipients
For the Year Ended June 30, 2007

Program Title <u>Subrecipient Name</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditures</u>	Accrued or (Deferred) Revenue at <u>July 1, 2006</u>	Adjustments <u>and Transfers</u>	Current Year Receipts <u>(Cash Basis)</u>	Current Year <u>Expenditures</u>	Accrued or (Deferred) Revenue at <u>June 30, 2007</u>
Personnel Development Collaborative	84.323A							
Passed through MAISD								
SIG AYP								
Project #070620-03001								
Creative Learning Academy		\$ 150	\$ 0	\$ 0	\$ 0	\$ 150	\$ 150	\$ 0
Farwell Areas Schools		150	0	0	0	150	150	0
Gladwin Community Schools		1,317	0	0	0	1,317	1,317	0
Harrison Community Schools		1,278	0	0	0	1,278	1,278	0
Clare Public Schools		401	0	0	0	401	401	0
Beaverton Rural Schools		244	0	0	0	244	244	0
		<u>3,540</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,540</u>	<u>3,540</u>	<u>0</u>
		<u>\$ 251,972</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 186,931</u>	<u>\$ 251,972</u>	<u>\$ 65,041</u>

See accompanying notes to financial statements

CLARE-GLADWIN REGIONAL EDUCATION SERVICE DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Clare-Gladwin Regional Education Service District and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

NOTE 2 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Clare-Gladwin Regional Education Service District provided federal awards to subrecipients as noted in the Schedule of Expenditures of Federal Awards Provided to Subrecipients.

NOTE 3 - OTHER DISCLOSURES

The amounts reported on the Form R7120 (Grant Section Auditors Report) and the Cash Management System Grant Auditor Report reconcile with the Schedule of Expenditures of Federal Awards.

The total current year expenditures reported in the Schedule of Expenditures of Federal Awards agrees to the total federal revenue reported in the financial statements.

NOTE 4 – GRANT ADJUSTMENTS AND TRANSFERS

There were no adjustments to grants for June 30, 2007.